

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  GLOBAL CROSSING LTD. AND FRONTIER CORPORATION	DOCKET NO. SPU-99-24
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**ORDER REQUIRING SUPPLEMENTAL INFORMATION  
AND RESCHEDULING HEARING**

(Issued September 10, 1999)

On May 7, 1999, Global Crossing Ltd. (Global Crossing) and Frontier Corporation (Frontier) (collectively, Applicants) filed a "Proposal For Reorganization" pursuant to IOWA CODE § 476.77 (1999) (the Application). The Applicants request Utilities Board (Board) review of their proposal to transfer control of Frontier's Iowa operating subsidiaries to Global Crossing. The Board docketed the Application as Docket No. SPU-99-16. Docket No. SPU-99-16 was dismissed and the Application was subsequently re-docketed as Docket No. SPU-99-24 and a new procedural schedule was established.

On August 11, 1999, Applicants and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a settlement agreement, a joint motion for approval of the settlement, and a request to hold the procedural schedule in abeyance. On August 13, 1999, the Board issued an order suspending the procedural schedule, and on August 26, 1999, the Board directed the parties to file additional information in support of the proposed settlement. At the same time,

the Board scheduled a hearing for September 14, 1999, to consider the new information and the proposed settlement.

The parties filed additional information, in the form of written responses to Board questions, on September 1, 1999. The Board has reviewed the additional information provided by the Applicants and finds that further information is required prior to the hearing to clarify the benefits alleged to be associated with the merger. The Board believes it will be more useful and create a better record if the information is filed in advance of the hearing, so that it will be possible to follow up on the new information at the hearing, if necessary. Accordingly, by this order, the Board is rescheduling the hearing one week later to September 21, 1999, and directing the Applicants to respond to certain additional questions, attached hereto as Attachment B. The parties should understand that rescheduling the hearing is not in any way an indication of any Board decision on the settlement either to approve or disapprove; it is simply necessary to permit time for a complete review.

At the rescheduled hearing, the Applicants may offer sworn testimony in support of the proposed settlement and answer questions, under oath, from the Board. Both parties should have witnesses available at the hearing who are prepared to testify about all aspects of the proposed settlement and the reorganization.

**IT IS THEREFORE ORDERED:**

1. Global Crossing Ltd. and Frontier Corporation are directed to file written responses, on or before September 15, 1999, to the questions attached to this order as Attachment B. All responses shall be verified by a person who will be available for cross-examination at the hearing.

2. A hearing will commence at 1:30 p.m. on September 21, 1999, in the Board's hearing room, 350 Maple Street, Des Moines, Iowa, for the purpose of receiving testimony regarding the proposed settlement and proposed reorganization filed in this docket and for cross-examination of that testimony.

**UTILITIES BOARD**

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.  
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 10<sup>th</sup> day of September, 1999.

## ATTACHMENT B

### Questions of Applicants

1. In the Proposal for Reorganization filed on May 7, 1999, Applicants' response to Iowa Admin. Code 199-32.4(4)(a) emphasizes that "the merger will not result in increased costs" for Iowa ratepayers. The response then concludes that "because the cost of the transaction is zero, it is straightforward to conclude that the benefits of the transaction outweigh the costs," but the Applicants do not offer any specifics as to any expected benefits that may accrue to Iowa customers.
  - 1.1. Elaborate on the specific benefits, if any, that the Applicants believe the merger will bring to the Iowa ILECs and their ratepayers.
  - 1.2. State whether Applicants expect to propose to continue price-cap regulation or some alternative when the existing Frontier price regulation plan expires on December 31, 2000. If the Applicants anticipate anything other than a renewal of the existing plan, please describe the anticipated proposal.
2. Applicants' "Written Responses to Board Questions" of September 1, 1999, page 4, states that Frontier plans to "maintain an investment policy which: 1) assures deployment of new services to meet customer needs and 2) maintains high service standards throughout its service territories." The Proposal for Reorganization states at page 21 that the "proposed merger will also enhance competition in several other markets," listing such services as international services, wholesale long distance, high bandwidth data, and Internet web hosting and transport markets, "in which Frontier is already a major competitor."
  - 2.1. Elaborate on Frontier's specific plans for deployment on new services to meet customer needs in Iowa. Be specific as to planned projects, investment, and timetable for, at least, the next 5 years.
3. In the Proposal for Reorganization, Applicants state at page 22 that "Frontier recognizes that public policy strongly favors resale as a means to promote continued efficient operation of competitive markets.... The combination of Global Crossing and Frontier will also help a number of smaller domestic carriers become more active in the international and the overall integrated services markets, through resale of facilities and services provided by the combined Global Crossing-Frontier operation." In the Written Responses to Board Questions, however, Applicants state at page 11 that they "do not have a plan for development of OSS access."

- 3.1. What is Frontier doing to promote competition in its Iowa service territory or elsewhere?
  - 3.2. When does Frontier intend to develop a plan for development of OSS access?
  - 3.3. How does Frontier intend to respond when a potential competitor requests an interconnection agreement to commence competitive service in the Frontier service territory so that there will be no unnecessary delays in the competitor's market entry?
4. Page 14 of your Proposal states your expectation that the combined networks will lead to the availability of new and enhanced service offerings. Also your "Written Responses to Board Questions" of September 1, 1999, especially pages 9-11, discussed how Frontier plans to provide new and enhanced service offerings. Elaborate upon what Frontier is or will be doing to assure that these new and enhanced service offerings will be made available on a timely basis, and at an attractive price, to the Iowa ratepayers.
5. The Applicants state that Frontier supports the communities it serves through donations to worthy causes at the local level. Spending levels have been provided for the last three years that show a decreasing trend in these support amounts. The Applicants have indicated that they will maintain support levels for charitable contributions after the merger has been completed.
  - 5.1 What level has been set for charitable contributions in the projected five year budgets?